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MINSK 00000426 001.3 OF 003

¶1. The following are brief items of interest compiled by Embassy Minsk.

TABLE OF CONTENTS

Civil Society, Media

¶2. GOB Drafts a Bill to Regulate the Internet

The Council of Ministers has drafted a bill that will enforce rigid internet regulation. It provides for registration of all internet media outlets, identification of all internet users, and allows authorities to block access to "extremist" and other web sites "at the general public's request." The bill will also make internet providers accountable for the information released by customers. President Lukashenka is expected to approve it soon, given his resolute commitment voiced at his December 30 press conference "to establish order" in the internet, "rigidly

regulate and hold responsible" those who use it. Belarusian media experts have voiced concerns over the bill that, in their view, would result in the GOB establishing tight control over the national segment of the internet that covers internet service providers, internet resources, online stores, and regular internet users, particularly those at public internet cafes and other venues. Analysts underscore that despite earlier statements made by senior GOB officials that there were no plans to adopt legislation regulating the internet, the GOB will likely apply "Chinese experience" in blocking the internet in the run-up and during the local and presidential elections. They called the bill a step to further establish an unjustifiably tough control over the distribution of information by the electronic media. The bill was not subject to a public discussion, and pundits agreed that it was purposefully leaked to allow Minsk officials to gauge how imposing internet regulation would be received by the general public and, importantly, the EU. CDA referenced USG concern with this issue in his end of year interview with one of the local news services.

¶3. Independent Polling: Belarusians Feel Economic Pinch, Criticize GOB Policies; Although Majority Still Trust Lukashenka

The Vilnius-based Independent Institute of Socio-Economic and Political Studies (IISEPS) released the results of its December survey, showing that 50 percent of the population strongly believes the GOB's economic policies significantly contributed to the country's economic problems and compounded effects of the global economic crisis on Belarus. Approximately 80 percent cited price hikes as a major problem. Other areas of concern included, unemployment (cited by 40% of respondents), falling industrial production (35%), corruption (26%), and human rights abuses (23%). 42 percent said the economic crisis has hit their families "hard," but most think the crisis will be over by late 2010 or 2011. 50.3 percent felt they were not able "to influence any decisions taken by the GOB" and around 30 percent

said they cannot freely express political views. In the run-up to the 2010 local and 2011 presidential elections, 42.5 percent indicated they were ready to support incumbent President Lukashenka (with a 51 percent rate of "trust vs. 36.8 no-trust"). Only 4.3% registered support for "For Freedom" movement leader Alyaksandr Milinkevich, and 2.4% for Alyaksandr Kazulin, former political prisoner and opposition leader. Among those who indicated they would vote for Lukashenka, 25% said his reelection would be "useful" for the country, while one-third said another term would not likely change anything. Nearly 47% would welcome a change in the presidency. A majority of the Belarusians favor Belarus' rapprochement with the EU, with 38 percent supporting improvements in ties as leading to opportunities for freer travel to work and study in Europe, 30% as helpful in introducing European political, economic, cultural standards in Belarus, and 21% as a means to eventually gain EU membership. Nearly 55 percent oppose Belarus integration with Russia; 41% would support Belarus joining the EU in a referendum. The pollsters suggested that the main reasons for growing pro-EU sentiments were 1) Lukashenka's decision to join the Eastern Partnership; 2) a drastic change in GOB's rhetoric/statements and state media language regarding the EU from negative to either neutral or favorable; 3) Lukashenka's meetings with senior EU officials and his trip to Vilnius in September. Moreover, Lukashenka has on a number of occasions described Europe as a model for high living standards and advanced technologies. Therefore, Lukashenka's association in the public's mind with positive steps toward Europe do not necessarily mean that pro-Europe means anti-Lukashenka.

Domestic Economy

¶4. Lukashenka Promises 10 Percent Plus Economic Growth in 2010

During his "frank" press conference on December 30, President Lukashenka acknowledged that he initially did not think the

global financial crisis would affect Belarus, but unfortunately to his surprise it did. Nevertheless, he firmly stated that the outlined economic objective for 2010 were "with no doubt ambitious but feasible" and that the GOB would achieve a GDP growth rate "beyond 10 percent" by producing more goods and services for export. Reportedly, Lukashenka has already approved the 2010 budget with a deficit projection of 1.5 percent of the GDP, with projected GDP growth of 11-13 percent year-on-year, and a projected annual inflation rate for 2010 of 9 percent. He lauded the GOB for the low rate of unemployment in Belarus which officially stands at 1 percent, and reiterated that the GOB had protected "the people from the gravest effects of the world crisis thanks to the iron will and discipline, accountability of our officials." Lukashenka ordered the government to ensure that Belarus sells in 2010 high quality exports as it was "a matter of survival" for the country.

¶5. Lukashenka Promised Belarusians Increases in Salaries, Pensions, and Minimum Wages in the New Year

At 8.7 percent, Belarus registered the second highest increase in consumer prices among the former Soviet states for January-November 2009. Prices in Ukraine went up 11.3 percent and Russia 8.4. The Council of Ministers increased the minimum monthly wage 12.6 percent from $80 to approximately $90 as of January 1, 2010. The minimum wage was last raised by 10 percent on January 1, 2009. As of January 2010, all types of pension and retirement payments will be increase by 9 percent on average, and monthly payment will be approximately $165. Lukashenka also stated on December 30 that "the inflation will not eat up wages," as the GOB will "systematically" raise salaries, and he assured Belarusians that monthly average salary in 2010 will reach "the sacred figure" of $500.

¶6. IMF Urges GOB To Use Realistic Economic Assumptions in Its 2010 Fiscal and Monetary Policy Planning

On December 23, the GOB received the fourth $688 million tranche under the IMF's $3.6 billion Stand-By Arrangement (SBA), thus bringing the total disbursements issued under the SBA so far to about $2.88 billion. The National Bank (NB) is expecting to obtain the final tranche in February. The IMF Executive Board concluded in its third SBA review of Belarus' performance that Belarus' economy "is beginning to emerge from the crisis," citing stabilization of export volumes, improved competitiveness

after the January 1, 2009 exchange rate depreciation, and growing confidence by households. However, the Board called for "prudent macroeconomic policies," structural reforms to achieve "high and sustainable growth," and urged the GOB to "base [their] policies on realistic assumptions and agreed program objectives," and "limit lending under GOB programs" and "non-market" terms. (Embassy Note: the reference is to the GDP growth rates mentioned in para. 4) In its December 21 statement, the NB committed to continue pursue in 2010 its current exchange rate policy and it expects the rate of the national currency to fluctuate in 2010 within a "significantly" smaller band than in 2009. The Belarusian ruble reportedly depreciated against the basket of currencies of Belarus' main trade partners by 19.02 percent in real terms, in particular against the Russian ruble 17.12 percent, the euro 22.22 and the USD 15.48, in January-November 2009. Belarus' gross foreign liabilities rose to $19.299 billion, including $9.187 billion of short-term liabilities, making gold and foreign exchange reserves roughly half as large as the debts that Belarus may have to pay in the next 12 months. Analysts suggest that it will be hard to refinance the entire short-term debt as the debt-to-GDP ratio amounts to 37.1% and is a significant increase from 25.1% on January 1, 2009.

Foreign Investment

¶7. GOB Struggles to Attract Foreign Investment, a Requirement

For Its Economic Growth

Despite projections under the 2010 socioeconomic forecast that capital investments are expected to increase 23-25 percent year-on-year, Deputy PM Andrei Kabiakou expressed serious "concerns" that current calculations do not indicate that Belarus will be able to attract the 2010 targeted $2.7 billion in foreign direct investments. According to a National Bank official, net inflows of foreign direct investment (FDI) plummeted 41.3 percent year-on-year and were at only $1.184 billion as of September 2009. FDI inflows as stockholder capital reached $787.6 million, half as much as in the Q1-3 in ¶2008. The majority of FDIs were from Russian companies. PM Syarhey Sidorski called upon every company in Belarus to "actively" seek foreign investment. The PM posited that Belarus needs a total of $5.6 billion in foreign investment in 2010 in order to "establish new enterprises, radically modernize operating ones, and develop innovative technologies to increase products' competitiveness." Sidorski believes that foreign investment can help Belarus' reach a trade surplus "within the next three or four years." Kabiakou also committed the government to further restricting imports and promoting import substitution. The practice of setting limits on the use of foreign exchange for purchasing imports will also continue. Moreover, at a December 28 GOB meeting, Kabiakou announced that Belarus' "Chinese partners" expressed their readiness to issue Belarus a $5.7 billion loan. This "potential investment in fixed capital" will reportedly involve 14 projects in the transport, energy, telecommunications, and construction sectors.

Quote of the Week

¶8. Speaking at a large press conference on December 30, President Lukashenka elaborated on local and presidential elections. He stated the following:

"If the economy develops in a good way, people will support the acting government, president, and constructive members [of the local government]. I promise there will be no pressure coming from me, especially during the presidential elections. There will be no administrative pressure. People have to make their own choices."
SCANLAN